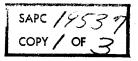
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13 September 1957

CMCC Doc. No. 151X5.715 Copy 1 of 5 Page 1 of 2

Dear Dan:

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To help clarify the program of work and the estimated cost for completing the System 2 work we are carrying on in Scotty's behalf after 1 April 1957, we are enclosing a proposal covering this activity which we believe could more properly serve as a basis for the new funding and separate charges for this program. The approximations of these costs furnished you in our March letter were not intended as a proposal and should not be used as the basis of funding and cost collection for this work program. At the time those approximations were made, it was not planned to separate the costs nor to fund the program separately; and we were furnishing rather quick estimates of the cost to complete an existing work program.

We are anxious to avoid becoming involved in the internal question of which portion of your organization should pay the costs of the work. All the phases of this program were set forth in separate proposals to you well prior to the time of the cutoff, and we have performed the work within the estimates with the exception of the production portion where repeated startsand-stops and changes in the scope of work have resulted in higher costs than were originally anticipated. The program for test equipment, development, and fabrication is unchanged from our original proposal and is being performed for less cost. Portions of the added features work have been cancelled, but we have performed that portion which remains within the cost estimates for it; and funding is left over representing the cancelled portion.

It is very difficult to estimate the remaining costs of a program of work in mid-stream, especially if this estimate must be made hastily without adequate information on costs incurred to date. Accordingly, we feel that only a carefully thought-out cost estimate should be used as a basis for a newly defined program of work representing the remaining portions of some earlier programs. It is for this reason that the accompanying proposal is submitted. The cost of the program as set forth the fixed fee on this amount figured at in this proposal is

brace and the total estimated cost, including fee, is braceThis compares with the present contract funding of \$

cost.

25X1

B. u.L.

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This document contains information affecting the national defense of the United States within the meaning of the Espionane Laws, Title 18 U.S.C., Section 793 and 794. Its transmission or the revolation of its contents in any manner to an unauthorized person is prohibited by law.

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SECRET CMCC Doc. No. 151X5.715 Copy L of 5 Page 2 of 2

As a result of the August 6 meeting with Scotty's people, it has been decided to cutback certain phases of this program of work. Specifically, the instruction manuals are to be simplified, and a minimum of correction and amendment is to be done to the existing airborne manuals. It is estimated these steps will save approximately \$10,000 of costs. We are planning to cut out two preflight test sets (reducing the number to one per each List N). It is estimated that this will save approximately \$13,000. It is planned not to complete the guard band receiving sets which will save about \$5,000 and not to complete the eighth airborne unit at a saving of approximately \$4,000.

It was agreed at the August 6 meeting that work on this program should continue, that necessary additional funding would be provided, and that the cuts outlined in the preceding paragraph should be made. We are proceeding on this basis.

Sincerely,

Dean

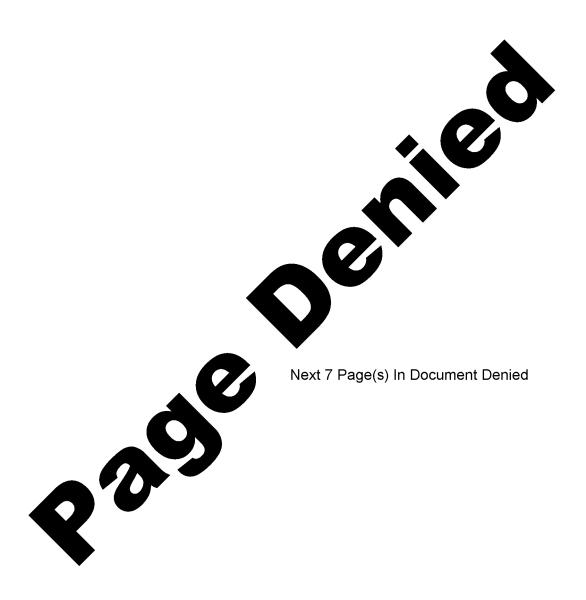
#### Enclosures:

Copies 1-3 of 5 copies of the following CMCC Doc. Nos. 1131X5.111 1132X5.144 1132X5.145 1134X5.49

cc: H. A. W. - AGO

Copy 4 of 5 copies of the above listed documents

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Copy <u>1</u> of 5 SECRET Copy 1 of 5 Page 1 of 2

> Proposal: CAN 82 29 August 1957

#### DELIVERY SCHEDULE COMPLETION OF SYSTEM 2 WORK REQUIREMENT NO. 2

The Contractor will complete the work or deliver the items outlined in the Statement of Work in accordance with the following Schedule:

<u>Item</u>		
1.	Design and Development Lists G, H, and N	Sept. 16, 1957
2.	Fabrication of 2 each Lists G, H, and N	Nov. 18, 1957
3a.	Ground Operations Kits Serial No. I Serial No. 2 Serial No. 3 Serial No. 4	April 15, 1957 June 17 July 29 Aug. 12
3b.	Monitor Speaker Kits Serial Nos. 1-2 Serial Nos. 3-4 Serial Nos. 5-8	May 20, 1957 May 27 June 10
3c.	Preamplifiers and Muting Control Circuits Serial Nos. 1-2 Serial Nos. 3-8	June 7, 1957 June 12
3d.	Remote Operation Kit Serial No. 1 Serial No. 2 Serial No. 3 Serial No. 4 Serial No. 5	Sept. 30, 1957 Oct. 14 Oct. 28 Nov. 11 Nov. 25

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CMCC Doe: No. 1134X5.49 Copy / of 5 Page 2 of 2

Proposal: CAN 82 29 August 1957

### DELIVERY SCHEDULE COMPLETION OF SYSTEM 2 WORK REQUIREMENT NO. 2

<u>Item</u>		
4.	Airborne - System 2 Serial No. I Serial No. 2 Serial No. 3 Serial No. 4 Serial No. 5 Serial No. 6 Serial No. 7 Serial No. 8	Nov. 5, 1956 Nov. 11 Nov. 11 Dec. 31 March 11, 1957 June 24 Aug. 20 Sept. 31
5.	Ground-Based - System 2 Serial No. 1 Serial No. 2 Serial No. 3 Serial No. 4 Serial No. 5	Oct. 22, 1956 Nov. 5 Jan. 21, 1957 April 15 May 27
6.	Two Receiver Sides - (Becomes Serial No. 1 Dual Base-station Receiving Equipment)	Jan. 1, 1958
7.	Instruction Manuals Final Manuals - 25 Each Airborne and Ground-Based	Jan. 1, 1958

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